



Statement of Senator Chuck Grassley
Senate Committee on Finance Markup
Tax Incentives for Business in Response to a Minimum Wage Increase
January 17, 2007

Today's markup deals with tax incentives to assist workers and businesses burdened by the increased Federal minimum wage. Let me, first off, thank Chairman Baucus for recognizing the reality of the linkage between the burden of the minimum wage and its effects on employers and workers, especially small business. Republican members insisted on the importance of small business tax relief. I took that concern to Chairman Baucus and he recognized the legitimacy of it. He also recognized the practical political reality. That reality is a minimum wage hike would likely not pass the Senate without small business tax relief. So, to those on his side who have been critical of Chairman Baucus for being practical, I'd ask them how they would propose to get a minimum wage increase across the goal line. It's one thing to live in political or ideological fantasy land and it's quite another to make law.

This markup follows up the hearing of one week ago on that same subject. At the hearing, we found that all of the major incentives before us today will tend to benefit businesses that will be burdened by the minimum wage increase. Now, none of these provisions really has a partisan flavor. That goes for the depreciation items and the work opportunity tax credit (WOTC).

Despite that general non-partisan flavor, members on my side generally would prefer that the Chairman's mark tilt more toward the current depreciation benefits and less toward later WOTC benefits. I recognize and respect that sentiment and the policy basis behind it. However, Chairman Baucus had to deal with sentiment in the Democratic Caucus that would prefer a greater tilt toward WOTC. Many in the Democratic Caucus don't want any tax relief at all. I want to thank Chairman Baucus for consulting with all members on this side. Chairman Baucus moved the mark away from the position of the Democratic members and closer to the middle. Chairman Baucus struck a balance between the sentiments of Republicans and Democrats. So, I'm pleased Mr. Chairman, that the Finance Committee is again looking to the middle of the road. Tax incentives targeted to small businesses and other businesses impacted by a minimum wage increase have been linked to minimum wage legislation by Republicans for over a decade. Democrats have, at times, joined Republicans in supporting this linkage. Last week I quoted from two former chairmen of this committee in their opening remarks on the conference agreement on the last piece of legislation that

raised the minimum wage. I want to quote them again.

Senator Roth, then the chairman of the committee, described taxes as the sand that grinds the gears of small business. So, he saw merit in small business tax relief. Senator Roth went on to say: “[We will] proceed to the legislation on the minimum wage and small business taxes. We’re anxious to move ahead on the small business tax legislation.”

Senator Moynihan said, “My distinguished chairman, as always, has so stated the facts. But there is a small semantic issue here. Some call this the small business relief act; others on this side call it the minimum wage bill. But we will not resolve that tonight, nor need we.”

The bottom line is the Chairman’s mark contains a well-known set of small business tax relief measures. I look forward to helping the Chairman move these proposals along in the committee and floor process.